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No. 00-252

In The

Supreme Court of the United States

EXXON MOBIL CORPORATION,

Petitioner,

v.

KELLOGG COMPANY,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Sixth Circuit

REPLY BRIEF FOR PETITIONER

JOHN J. THOMASON
BUCKNER WELLFORD
THOMASON, HENDRIX, HARVEY, JOHNSON & MITCHELL
One Commerce Square – Suite 2900
Memphis, Tennessee 38103
(901) 525-8721

ROBERT D. RIPPE, JR.
CHARLES A. BEACH
WILLIAM R. COHRS
Exxon Mobil Corporation
5959 Las Colinas Blvd.
Irving, Texas 75039
(972) 444-1000

LOUIS T. PIRKEY
Counsel of Record
WILLIAM G. BARBER
STEPHEN P. MELEEN
FULBRIGHT & JAWORSKI, L.L.P.
600 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 418-3000

MICHAEL F. STURLEY
727 East Dean Keeton Street
Austin, Texas 78705
(512) 232-1350

Counsel for Petitioner

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

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REPLY BRIEF FOR PETITIONER

Respondent Kellogg does not dispute that laches is an important issue in trademark litigation. *See* Petition for Writ of Certiorari ("Pet.") at 14-15. Nor does it dispute the need for consistency among the circuits to discourage forum shopping and promote the legislative goal of national uniformity in trademark law.[1] *See* Pet. at 15-17. It instead seeks to distract the Court from these issues by mischaracterizing the question raised in the petition.

The decision below did not hold that Exxon's laches defense fails on its merits. The Sixth Circuit has instead established a bright-line rule prohibiting a district court from considering a laches defense to a claim for injunctive relief in a trademark case. Exxon does not ask this Court to hold that it is entitled to succeed on its laches defense. Exxon instead seeks a ruling that the equitable defense of laches is available to bar injunctive relief in a trademark case, thus enabling the district court to decide the merits of the laches defense on remand.

When the Court focuses on the question actually presented, it is clear that the decision below conflicts with the law of other circuits and is inconsistent with previous decisions of this Court. It is also clear that the case offers

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[1] Kellogg argues that "Exxon's 'forum shopping' and 'national uniformity' arguments lack merit" solely because Kellogg does not see the intercircuit conflict on this issue. *See* Brief in Opposition to Petition for Writ of Certiorari ("Br. Opp.") at 17. Kellogg does not dispute that if there is a circuit split, it undermines the Congressional goal of uniformity in federal trademark law and presents an important issue that this Court should resolve.

an ideal vehicle for this Court to resolve an important issue in federal trademark law.

I. The Decision Below Conflicts with the Law of Other Circuits and Is Inconsistent with Previous Decisions of this Court

Kellogg attempts to reconcile the Sixth Circuit rule – that laches "does not bar injunctive relief" and is "inapplicable" when a plaintiff seeks only injunctive relief – with holdings in other circuits recognizing laches as an available defense against claims for injunctive relief. Kellogg contends the standard is really the same in all the circuits, but that the Sixth Circuit uses the term "acquiescence" to describe what other circuits call "laches."

There are a number of flaws in Kellogg's argument. The most obvious is that the Sixth Circuit plainly knows the difference between laches and acquiescence: "[L]aches and acquiescence are not the same. Laches is a negligent and unintentional failure to protect one's rights while acquiescence is intentional." *Elvis Presley Enter., Inc. v. Elvisly Yours, Inc.*, 936 F.2d 889, 894 (6th Cir. 1991). In the decision below, the Sixth Circuit similarly noted that while both laches and acquiescence require an unreasonable delay that materially prejudices the alleged infringer, "acquiescence requires more." *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 569 (6th Cir. 2000), Pet. App. A at 13. Nor are the Sixth Circuit's definitions of these terms out of line with other circuits. *See, e.g., id.* at 569, Pet. App. A at 13-14 (quoting *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 462 (4th Cir. 1996), for the proposition that "acquiescence implies active consent, while laches implies merely

a passive consent"). It is in applying the doctrines of laches and acquiescence, not in defining the terms, that the Sixth Circuit departs from the majority rule.

When a district court in another circuit considers a laches defense and weighs the equities, even if it grants an injunction, it acts differently than a Sixth Circuit district court, which cannot even consider the equities. The cases cited by Kellogg illustrate this point. For example, Kellogg quotes from *Kason Industries, Inc. v. Component Hardware Group, Inc.*, 120 F.3d 1199 (11th Cir. 1997). Br. Opp. at 13. *Kason* emphasizes that in evaluating whether a laches defense will bar an injunction, a "district court must weigh the equities" and exercise its "informed discretion." That is precisely Exxon's point, and that is precisely what the Sixth Circuit prohibits its district courts from doing.[2] Kellogg cites *Seven-Up Co. v. O-So-Grape Co.*, 283 F.2d 103 (7th Cir. 1960), for the proposition that laches does not "*necessarily* constitute a *conclusive* and *automatic* bar to injunctive relief in trademark actions." Br. Opp. at 10 (emphasis added). As Kellogg notes, such a standard recognizes the "equitable considerations" involved in determining whether laches will bar an injunction. *See* Br. Opp. at 10. Kellogg also cites the "flexible balancing test"

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[2] The fallacy of Kellogg's argument is illuminated by its conclusion that "all circuits will bar injunctive relief in trademark cases where the plaintiff has delayed in bringing suit, the defendant has detrimentally relied upon that delay, and a weighing and balancing of the facts and equities warrant such a ruling." Br. Opp. at 16. While such a statement may describe the law of this Court and every circuit but the Sixth, a district court in the Sixth Circuit will never get to the "weighing and balancing of the facts and equities" under a laches analysis.

that the Ninth Circuit uses in determining whether laches will bar injunctive relief,[3] Br. Opp. at 15-16, which further confirms the inappropriateness of the Sixth Circuit's inflexible rule that prohibits a district court from performing such a balancing test.

These cases are not inconsistent with Exxon's argument. Rather, they make the point that when the elements of the equitable defense of laches are present, a district court must be free to balance the equities and determine whether to grant or deny injunctive relief. The Sixth Circuit's bright-line rule precludes any consideration of the merits or weighing of the equities, and cannot be reconciled with the law of other circuits.[4]

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[3] Significantly, of the six factors the Ninth Circuit considers in this balancing test, none requires affirmative conduct by the plaintiff or a particularly long delay. *See* Br. Opp. at 15-16 (quoting *American Int'l Group, Inc. v. American Int'l Bank*, 926 F.2d 829, 831 (9th Cir. 1991)). The Ninth Circuit in *American Int'l Group* also reiterated that under "the current body of law in this circuit, . . . laches may bar injunctive relief in trademark actions." 926 F.2d at 833.

[4] The Sixth Circuit's rule that a court may find acquiescence, and thus deny injunctive relief, in extreme cases of long delay amounting to "virtual abandonment," does not bring it into step with the other circuits. The court below held that a twelve-year delay is insufficient as a matter of law to constitute "virtual abandonment." *See* Pet. at 18 n. 14; 209 F.3d at 574, Pet. App. A at 26. Other circuit courts have found similar, and even much shorter, delays (with resulting prejudice to the defendant) sufficient to bar injunctive relief under the doctrine of laches. *See, e.g., Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 190, 192-93 (2d Cir. 1996) (five years); *E-Systems, Inc. v. Monitek, Inc.*, 720 F.2d 604, 607-08 (9th Cir. 1983) (six years); *Armco, Inc. v. Armco Burglar Alarm Co.*, 693 F.2d 1155, 1161-62 (5th Cir. 1982) (six years); *Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, Inc.*,

Kellogg tries to bolster its argument by attempting to equate the Sixth Circuit's requirement of acquiescence with the "plus factors" that Professor McCarthy notes are often present in cases in which laches has barred injunctive relief.[5] *See* Br. Opp. at 7-9. Professor McCarthy has created this list of "plus factors" as an analytical framework to help explain the decided cases. The cases do not *require* any of these factors for a laches defense to bar injunctive relief, however, and Professor McCarthy himself notes that a number of cases denying an injunction based on laches do not involve "plus factors." *See* 5 J.T. McCarthy, McCarthy on Trademarks and Unfair Competition, § 31:8 at 31:24-25 and n.1 (4th ed. 1996) (collecting cases). Nor is Professor McCarthy's list of such cases exhaustive; other cases with no "plus factors" also recognize that laches may bar injunctive relief. *See, e.g., Armco,*

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165 F.2d 693, 695 (4th Cir. 1947) (eight years); *Landers, Frary & Clark v. Universal Cooler Corp.*, 85 F.2d 46, 49 (2d Cir. 1936) (eight years); *Hubbard Feeds, Inc. v. Animal Feed Supplement, Inc.*, 182 F.3d 598, 603 (8th Cir. 1999) (nine years, finding also that "a delay of over four years is sufficient for laches"); *NAACP v. NAACP Legal Defense & Educ. Fund*, 753 F.2d 131, 137 (D.C. Cir. 1985) (thirteen years); *Seven-Up Co. v. O-So-Grape Co.*, 283 F.2d 103, 106 (7th Cir. 1960) (thirteen years).

[5] The Sixth Circuit rule and the "plus factors" discussed by Professor McCarthy are far from equal, and the Sixth Circuit has never recognized such "plus factors." Professor McCarthy presents six categories of factors in addition to delay and prejudice into which many cases denying injunctive relief may be broadly classified. *See* 5 J.T. McCarthy, McCarthy on Trademarks and Unfair Competition, § 31:7 at 31:21-24 (4th ed. 1996). The Sixth Circuit's rule is far more narrow and explicitly requires active consent from the plaintiff or an extreme delay equivalent to an abandonment of rights.

Inc. v. Armco Burglar Alarm Co., 693 F.2d 1155, 1161-62 (5th Cir. 1982) (vacating an injunction and remanding based on a six-year delay with no indication of any affirmative consent by the plaintiff or other "plus factors");[6] *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 190-94 (2d Cir. 1996) (affirming dismissal of a Lanham Act false advertising claim, holding that a five-year delay and prejudice to the defendant established laches sufficient to bar an injunction).

Kellogg also mischaracterizes *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1044 (3d Cir. 1982), as requiring more than unreasonable delay and prejudice to bar an injunction. *See* Br. Opp. at 11-12. The Third Circuit explicitly recognized that when a defendant shows prejudice, laches "works an equitable estoppel barring all relief." *University of Pittsburgh*, 686 F.2d at 1044. The court also discussed two classes of cases involving "mere delay" (*i.e.*, when the defendant shows no prejudice from the delay). It is those classes of cases that form the "dual standard" mentioned in Kellogg's brief. *See* Br. Opp. at 11-12. Without prejudice to the

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[6] Kellogg's statement that the Fifth Circuit "ordinarily requires an 'affirmative act' by the plaintiff" to bar injunctive relief is apparently based solely on *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145 (5th Cir. 1985), Br. Opp. at 13, and ignores *Armco*, in which there was no such affirmative act by plaintiff. See *Armco*, 693 F.2d at 1161-62. Furthermore, the Fifth Circuit's *Conan* decision does not *require* an affirmative act as argued by Kellogg (Opp. Br. at 13). *See Conan*, 752 F.2d at 153 (injunction "is properly denied if the plaintiff's delay *or* other conduct either induced reliance on the defendant's part or will result in substantial prejudice to the defendant") (emphasis added).

defendant, plaintiff's delay ordinarily will not bar injunctive relief, but it may do so if the delay is "so outrageous, unreasonable, and inexcusable as to constitute a virtual abandonment of its right." *University of Pittsburgh*, 686 F.2d at 1044. In essence, a particularly egregious delay relieves a Third Circuit defendant of the burden of proving prejudice. The Sixth Circuit's requirement of a delay equivalent to a "virtual abandonment" *in addition to* a showing of prejudice runs contrary to the Third Circuit standard.

Kellogg's attempts to fit the Sixth Circuit's rule into mainstream trademark law simply do not succeed. The decision below was not based on a balancing of the equities, a lack of "plus factors," or confusing the terms "laches" and "acquiescence." The Sixth Circuit, while recognizing the difference between laches and acquiescence, has squarely held that laches, without regard to "plus factors" or the equities of the case, does not apply to claims for injunctive relief. This rule is inconsistent with the law of other circuits and this Court.

II. This Case Offers a Suitable Vehicle for this Court To Resolve an Important Issue of Federal Trademark Law

Kellogg does not dispute the importance of the laches doctrine, the need to discourage forum shopping, or the Congressional goal of national uniformity in trademark law. Its strategy is instead to suggest that this case is fact-bound, and thus unworthy of review.

The statement of facts in part II and the argument in part III.B of Kellogg's brief appear designed to suggest

that Exxon would not succeed on the merits of its laches defense. Exxon disputes that implicit suggestion,[7] but this point is irrelevant to the issue presented to this Court. The question here is whether a district court should be permitted to decide the merits of a laches defense in a

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[7] Exxon's laches defense is far from the exercise in futility that Kellogg attempts to portray. Under *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 365-66 (6th Cir. 1985), a presumption of laches would arise in this case if Exxon began its allegedly infringing use of its Cartoon Tiger prior to October 1993, three years before Kellogg filed suit. Even if, as Kellogg alleges, Exxon had abandoned the Cartoon Tiger in the early 1980s, the record is clear that Exxon's use of its Cartoon Tiger to promote both its petroleum products and its convenience stores has been extensive since the early 1990s (and specifically since well prior to October 1993). Both Kellogg and the Sixth Circuit recognize this use, describing it as occurring "during the 1990s" or "in the early 1990s." *See* Br. Opp. at 3-4; 209 F.3d at 566, Pet. App. A at 6-7.

Kellogg's abandonment claim overlooks the undisputed evidence that Exxon has used its Cartoon Tiger to promote its products and services in every year since 1964. Kellogg's claim that Exxon willfully infringed its Tony the Tiger mark by altering its Cartoon Tiger to look more like Tony after the *Exxon Valdez* accident is belied by the undisputed fact, supported by testimony of Kellogg witnesses, that any changes to the Exxon Cartoon Tiger have been insignificant, while Tony the Tiger has changed significantly over the years. Finally, Kellogg's "progressive encroachment" argument will have to overcome the *Tandy* three-year presumption of laches and the undisputed fact that Exxon has used the Cartoon Tiger in point-of-sale material promoting its convenience stores since at least the mid-1980s, and Kellogg must meet the standard articulated by the Sixth Circuit for analyzing a claim of progressive encroachment. *See* 209 F.3d at 573, Pet. App. A at 23. Exxon has a laches defense, and the district court should be allowed to consider it.

trademark case where only injunctive relief is sought. That is purely a legal issue that can be resolved without reviewing any factual record. The parties' factual arguments should be postponed for consideration by the district court.

On remand, the district court can perform the balancing of equities that Kellogg recognizes is necessary in analyzing a laches defense. The district court may also decide whether Kellogg's arguments regarding Exxon's alleged willful infringement, abandonment, and progressive encroachment are sufficient to tip the equities in Kellogg's favor and entitle Kellogg to injunctive relief despite its laches. This Court should allow the district court to conduct such an inquiry.

Respectfully submitted,

LOUIS T. PIRKEY
Counsel of Record
WILLIAM G. BARBER
STEPHEN P. MELEEN
FULBRIGHT & JAWORSKI, L.L.P.
600 Congress Avenue, Suite 1900
Austin, Texas 78701
(512) 418-3000

JOHN J. THOMASON
BUCKNER WELLFORD
THOMASON, HENDRIX, HARVEY,
JOHNSON & MITCHELL
One Commerce Square –
Suite 2900
Memphis, Tennessee 38103
(901) 525-8721

ROBERT D. RIPPE, JR.
CHARLES A. BEACH
WILLIAM R. COHRS
EXXON MOBIL CORPORATION
5959 Las Colinas Blvd.
Irving, Texas 75039
(972) 444-1000

MICHAEL F. STURLEY
727 East Dean Keeton Street
Austin, Texas 78705
(512) 232-1350

Counsel for Petitioner

September 26, 2000